

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT

Audit Report

STANDARDIZED TESTING AND REPORTING PROGRAM

Government Code Section 17561

July 1, 2002, through June 30, 2004



JOHN CHIANG
California State Controller

June 2008



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California State Controller

June 30, 2008

Barbara Nakaoka, Ed.D., Superintendent
Hacienda La Puente Unified School District
15969 East Gale Avenue
City of Industry, CA 91745

Dear Dr. Nakaoka:

The State Controller's Office (SCO) audited the costs claimed by the Hacienda La Puente Unified School District for the legislatively mandated Standardized Testing and Reporting Program (Government Code section 17561) for the period of July 1, 2002, through June 30, 2004.

The district claimed \$462,249 for the mandated program. Our audit disclosed that \$229,234 is allowable and \$233,015 is unallowable. The unallowable costs resulted from the district claiming ineligible and unsupported costs, and understating offsetting reimbursements. The State made no payment to the district. The State will pay allowable costs claimed, totaling \$229,234, contingent upon available appropriations.

If you have any questions, please contact Jim L. Spano, Chief, Mandated Cost Audits Bureau, at (916) 323-5849.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD
Chief, Division of Audits

JVB/vb

cc: Annie Bui, Director of Fiscal Services
Hacienda La Puente Unified School District
Gary Matsumoto, Associate Superintendent
Business Services
Hacienda La Puente Unified School District
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Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by the Hacienda La Puente Unified School District for the legislatively mandated Standardized Testing and Reporting Program (Government Code section 17561) for the period of July 1, 2002, through June 30, 2004.

The district claimed \$462,249 for the mandated program. Our audit disclosed that \$229,234 is allowable and \$233,015 is unallowable. The unallowable costs resulted from the district claiming ineligible and unsupported costs, and understating offsetting reimbursements. The State made no payment to the district. The State will pay allowable costs claimed, totaling \$229,234, contingent upon available appropriations.

Background

Chapter 828, Statutes 1997, amended Education Code sections 60607, 60609, 60615, and 60630 and added Education Code Sections 60640-60641, and 60643. Chapter 8282, Statutes 1997, and the implementing regulations at California Code of Regulations, Title 5, sections 850 through 904, established the Standardized Testing and Reporting (STAR) Program related to achievement testings that school districts must administer to pupils in the State.

The STAR program requires school districts, between March 15 and May 15 each year, to test all students in grades 2 through 11 with a nationally normed achievement test as designated by the State Board of Education. School districts administered the Stanford Achievement Test Ninth Edition (SAT-9) test in English to all pupils enrolled in grades 2 through 11 from fiscal year (FY) 1997-98 through FY 2001-02. The California Achievement Test, Sixth Edition Survey (CAT/6) replaced the SAT-9 test effective for FY 2002-03. School districts administered the CAT/6 test in English to all pupils enrolled in grades 2 through 11 for FY 2002-03 and FY 2003-04. In addition, school districts administered an additional test—the Spanish Assessment of Basic Education, Second Edition (SABE/2)—to every Spanish-speaking pupil of limited English proficiency who was enrolled in grades 2 through 11 if the pupil was initially enrolled in any public school in the State less than 12 months prior to the date that the English language SAT-9 test was given. School districts are also required to engage in numerous activities related to test administration and reporting.

On August 24, 2000, the Commission on State Mandates (CSM) determined that the legislation imposed a state mandate reimbursable under Government Code section 17561.

The program's parameters and guidelines establish the state mandate and define reimbursement criteria. The CSM adopted the parameters and guidelines on January 24, 2002. In compliance with Government Code section 17558, the SCO issues claiming instructions, to assist local agencies and school districts in claiming mandated program reimbursable costs.

**Objective, Scope,
and Methodology**

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Standardized Testing and Reporting Program for the period of July 1, 2002, through June 30, 2004.

Our audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

We conducted the audit according to *Government Auditing Standards*, issued by the Comptroller General of the United States, and under the authority of Government Code sections 12410, 17558.5, and 17561. We did not audit the district's financial statements. We limited our audit scope to planning and performing audit procedures necessary to obtain reasonable assurance that costs claimed were allowable for reimbursement. Accordingly, we examined transactions, on a test basis, to determine whether the costs claimed were supported.

We limited our review of the district's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

We asked the district's representative to submit a written representation letter regarding the district's accounting procedures, financial records, and mandated cost claiming procedures as recommended by *Government Auditing Standards*. However, the district declined our request.

Conclusion

Our audit disclosed instances of noncompliance with the requirements outlined above. These instances are described in the accompanying Summary of Program Costs (Schedule 1) and in the revised Findings and Recommendations section of this report.

For the audit period, the Hacienda La Puente Unified School District claimed \$462,249 for costs of the Standardized Testing and Reporting Program. Our audit disclosed that \$229,234 is allowable and \$233,015 is unallowable. The State made no payment to the district. The State will pay allowable costs claimed, totaling, \$229,234, contingent upon available appropriations.

**Views of
Responsible
Official**

We issued a revised draft audit report on May 9, 2008. Annie Bui, Director of Fiscal Services, responded by e-mail on June 2, 2008, agreeing with the audit results.

Restricted Use

This report is solely for the information and use of the Hacienda La Puente Unified School District, the Los Angeles County Office of Education, the California Department of Education, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Original signed by

JEFFREY V. BROWNFIELD
Chief, Division of Audits

June 30, 2008

Schedule 1— Summary of Program Costs July 1, 2002, through June 30, 2004

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2002, through June 30, 2003</u>				
Direct costs:				
Salaries and benefits	\$ 160,049	\$ 99,230	\$ (60,819)	Finding 1
Materials and supplies	59,928	42,092	(17,836)	Finding 2
Travel and training	1,161	1,161	—	
Total direct costs	221,138	142,483	(78,655)	
Indirect costs	11,720	7,552	(4,168)	Finding 1, 2
Total direct and indirect costs	232,858	150,035	(82,823)	
Less offsetting savings/reimbursements	(2,376)	(24,875)	(22,499)	Finding 3
Total program costs	<u>\$ 230,482</u>	125,160	<u>\$ (105,322)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 125,160</u>		
<u>July 1, 2003, through June 30, 2004</u>				
Direct costs:				
Salaries and benefits	\$ 158,417	\$ 96,001	\$ (62,416)	Finding 1
Materials and supplies	58,630	35,538	(23,092)	Finding 2
Total direct costs	217,047	131,539	(85,508)	
Indirect costs	17,537	10,627	(6,910)	Finding 1, 2
Total direct and indirect costs	234,584	142,166	(92,418)	
Less offsetting savings/reimbursements	(2,817)	(38,092)	(35,275)	Finding 3
Total program costs	<u>\$ 231,767</u>	104,074	<u>\$ (127,693)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 104,074</u>		
<u>Summary: July 1, 2002, through June 30, 2004</u>				
Direct costs:				
Salaries and benefits	\$ 318,466	\$ 195,231	\$ (123,235)	
Materials and supplies	118,558	77,630	(40,928)	
Travel and training	1,161	1,161	—	
Total direct costs	438,185	274,022	(164,163)	
Indirect costs	29,257	18,179	(11,078)	
Total direct and indirect costs	467,442	292,201	(175,241)	
Less offsetting savings/reimbursements	(5,193)	(62,967)	(57,774)	
Total program costs	<u>\$ 462,249</u>	229,234	<u>\$ (233,015)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 229,234</u>		

Findings and Recommendations

FINDING 1— Unallowable salaries and benefits

The district claimed \$318,466 in salaries and benefits for the audit period. This amount includes the administration of two tests that are not reimbursable under the mandate. Based on the calculation described below, we determined that \$123,235 of the \$318,466 is not reimbursable. The related indirect costs total \$8,267.

The district claimed salaries and benefits for the costs of administering the following STAR tests: (1) California Standards Tests (CST); (2) California Alternate Performance Assessment (CAPA); (3) California Achievement Test, Sixth Edition Survey (CAT/6 Survey); and (4) Spanish Assessment of Basic Education, Second Edition (SABE/2). The CST and CAPA tests are not reimbursable because they were not pled in the test claim that created this mandate.

Our audit disclosed that the district accounted for the costs of the STAR tests collectively, without separately identifying the costs by test. Consequently, district staff was not able to calculate the reimbursable portion based on its time records.

We determined that 38% of FY 2002-03 costs and 39.4% of FY 2003-04 claimed costs related to the administration of the tests were for activities not reimbursable under the mandate. We determined the ineligible costs to be \$123,235 by applying the non-reimbursable percentages to claimed salaries and benefits of \$160,049 for FY 2002-03 and \$158,417 for FY 2003-04.

We determined the non-reimbursable percentages by dividing the cumulative number of students tested for the CST and CAPA by the cumulative number of students tested for all four tests. The information was obtained from the California Department of Education's Web site (<http://star.cde.ca.gov>) that identifies the number of students tested for each of the four tests by fiscal year and school site.

The following table shows the calculation of the unsupported and ineligible costs related to administering the STAR tests:

	Fiscal Year		Total
	2002-03	2003-04	
Salaries and benefits:			
Claimed salaries and benefits	\$ 160,049	\$ 158,417	\$ 318,466
Non-mandate percentage	× (38.0)%	× (39.4)%	
Salaries and benefits adjustment	(60,819)	(62,416)	\$ (123,235)
Indirect costs	(3,223)	(5,044)	(8,267)
Audit adjustment	\$ (64,042)	\$ (67,460)	\$ (131,502)

The program parameters and guidelines state that, "all costs claimed must be traceable to source documents that show evidence of the validity and relationship to the reimbursable activities."

The parameters and guidelines identify SAT-9 and SABE/2 tests as reimbursable tests. The CAT/6 Survey replaced the SABE/2 tests effective FY 2002-03.

Recommendation

We also recommend that the district ensure that all claimed costs are supported by appropriate documentation and are reimbursable under the mandate.

District's Response

The district agreed with the audit finding.

FINDING 2— Unallowable materials and supplies

The district claimed \$118,558 in materials and supplies for the audit period. Of this amount, \$13,013 related to eligible costs. The remaining balance of \$105,545 includes the costs of two tests that are not reimbursable under the mandate. Based on the calculation described in Finding 1, we determined that \$40,928 of the \$118,558 is not reimbursable. The related indirect costs total \$2,811.

Our audit disclosed that the district accounted for the costs of the STAR tests collectively, without separately identifying the costs by tests. Consequently, district staff was not able to calculate the reimbursable portion based on its records.

We determined that 38% of FY 2002-03 costs and 39.4% of FY 2003-04 claimed costs related to the administration of the tests were for activities not reimbursable under the mandate. We determined the ineligible costs to be \$40,928 by applying the non-reimbursable percentages to claimed materials and supplies of \$105,545.

The following table shows the calculation of the ineligible costs related to administering the STAR tests:

	Fiscal Year		Total
	2002-03	2003-04	
Claimed materials and supplies	\$ 59,928	\$ 58,630	\$ 118,558
Less CAT/6 and SABE/2 materials	(12,991)	(22)	(13,013)
Subtotal	46,937	58,608	\$ 105,545
Non-mandate percentage	× (38.00)%	× (39.40)%	
Adjustment	(17,836)	(23,092)	\$ (40,928)
Indirect costs	(945)	(1,866)	(2,811)
Audit adjustment	\$ (18,781)	\$ (24,958)	\$ (43,739)

The program parameters and guidelines state that, “all costs claimed must be traceable to source documents that show evidence of the validity and relationship to the reimbursable activities.”

The parameters and guidelines identify SAT-9 and SABE/2 tests as reimbursable tests. The CAT/6 Survey replaced the SAT-9 tests effective FY 2002-03.

Recommendation

We recommend that the district ensure that all claimed costs are supported by appropriate documentation and are reimbursable under the mandate.

District's Response

The district agreed with the audit finding.

**FINDING 3—
Understated offsetting
reimbursements**

The district understated offsetting revenues by \$57,774 for the audit period.

The district recorded STAR program reimbursements of \$34,967 in account 8590. However, it reported none of the amount as an offset to claimed costs. Based on the methodology described in Finding 1, we determined that \$21,190 related to the mandate.

The following table shows the understated STAR program reimbursements:

	Fiscal Year		Total
	2002-03	2003-04	
Total reimbursements	\$ —	\$ 34,967	\$ 34,967
Reimbursable mandate portion	× (62.0)%	× (60.6)%	
Audit adjustment	\$ —	\$ (21,190)	\$ (21,190)

In addition, the district did not offset claimed costs by employees funded with restricted resources totaling \$55,967. Based on the methodology described in Finding 1, we determined that \$36,584 related to the mandate.

The following table shows the understated reimbursements from restricted resources:

	Fiscal Year		Total
	2002-03	2003-04	
Restricted resources used to fund supported salaries and benefit	\$ (34,462)	\$ (21,505)	\$ (55,967)
Indirect costs	(1,827)	(1,738)	
Salaries and benefits adjustment	(36,289)	(23,243)	
Reimbursable mandate portion	× 62.0%	× 60.6%	
Audit adjustment	\$ (22,499)	\$ (14,085)	\$ (36,584)

The following table summaries the understated offsetting reimbursements:

	Fiscal Year		Total
	2002-03	2003-04	
Understated STAR program reimbursements	\$ —	\$ (21,190)	\$ (21,190)
Understated reimbursements from restricted resources	(22,499)	(14,085)	(36,584)
Audit adjustment	\$ (22,499)	\$ (35,275)	\$ (57,774)

The parameters and guidelines state that reimbursement for this mandate received from any source, including but not limited to, service fees collected, federal funds, and other state funds, shall be identified and deducted from the claim.

Recommendation

We also recommend that the district ensure that all applicable revenues are offset on its claims against its mandated program costs.

District's Response

The district agreed with the audit finding.

**State Controller's Office
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